

The University of Chicago

WITTE AS MINISTER OF FINANCE,
1892-1903

A PART OF A DISSERTATION SUBMITTED
TO THE FACULTY OF THE DIVISION OF
THE SOCIAL SCIENCES IN CANDIDACY FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF HISTORY
1931

By
STUART RAMSAY TOMPKINS

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Reprinted from
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IN attempting to estimate the importance for modern Russia of Witte's career as Minister of Finance from 1892 to 1903, one is confronted at the outset by the fact that during the first years of his Ministry, or, to be more exact, from 1892 to 1899, he was engaged primarily in promoting policies which his predecessors had initiated. He must therefore be denied any credit due to originality of conception in connection with these achievements. Moreover, Fortune has dealt somewhat generously with Witte. Developments that came simply in the fullness of time have been hailed as his achievements. The widespread conception of Witte as the father of the industrial revolution in Russia is to be ascribed to the vagaries that attend reputations. Not that the Russian statesman was at all averse to assuming the mantle thus thrust upon him; on the contrary, throughout his *Memoirs* he is constantly referring to the directing rôle he had played in the industrialisation of Russia. But such claims call for the closest scrutiny before they can be granted.

In reality there are two distinct problems involved. First, did Witte actually conceive or formulate a scheme for creating an industrial state such as that of the present five-year plan of the Soviet regime in Russia? Or, secondly, did the industrial development which characterised the last decade of the 19th century come as a result of the measures he promoted, or did this growth come from the operation of forces that lay beyond his control? With reference to the first of these questions, the *Memoirs* provide no evidence that Witte conceived or formulated in advance at the beginning of his Ministry any clearly-defined scheme for the industrialisation of Russia. The problems which he was called on to face were largely administrative and concerned with carrying into effect policies already laid down. Only gradually did the vast changes taking place in Russia's economic life begin to stand out as a single programme of interrelated measures. But, while it is natural that these changes should be associated with the name of Witte, who quickly identified himself with the new order, the evidence hardly warrants us in concluding that he foresaw or was directly responsible for them.

The second problem involves for its solution an examination of the extent and nature of the developments in the national life of

Russia under Witte's regime. Though official statistics for the whole of Russia at this period must be used with some caution, the evidence drawn from widely independent sources affords ample proof of the feverish growth of industries and of the increase of population in the industrial centres.

With reference to the increase of population, the tables printed by Lenin in his *Development of Capitalism* justify us in concluding that there had been a phenomenal growth in the urban centres of Russia since the Emancipation, and that the absolute increase was most substantial between the years 1885 and 1897, that is, just prior to the taking of the first census of 1897.¹ It is only reasonable to assume that this shift of population from country to city was already well under way before the nineties, the rapid increase in that decade being merely the culmination of a steady and long-continued growth. What aroused special interest in this phenomenon among members of the *intelligentsia* was the new revolutionary movement which arose at this time in the towns, and which gradually overshadowed the "Narodniki" movement among the peasants, which had hitherto been chiefly fostered by the intellectuals.²

But even more impressive than the statistics that record the growth of population in the towns are those showing the increase in the output of industrial products, particularly in the period from 1893 to 1897. If we consult the tables given by Tugan-Baranovsky, we see that between 1887 and 1893 the total output in industry increased from 1,334,499,000 roubles in the former year to 1,734,997,000 roubles in the latter; the increase in this case being 30 per cent.³ In 1897, however, industrial products totalled 2,839,144,000 roubles, the increase over the production of 1893

¹ V. I. Lenin, *Razvitie Kapitalizma* (Development of Capitalism) (Leningrad, 1926), Vol. III of *Lenin Works*, the Russian edition. The statistics are compiled from various sources, the most recent and authoritative being the census of 1897. This table shows an increase of urban dwellers in Russia from 6,105,100 in 1863 to 12,127,100 in 1897. The growth from 1863 to 1885 was almost exactly equal to that from 1885 to 1897, though the former period was almost double the latter. The figures cited are given in a table that appears on p. 436 of the above work.

² This complete change in the character of the revolutionary movement in Russia at the beginning of the nineties is stressed by M. N. Pokrovsky in his *Russkaya Istoria* (Moscow, 1923), IV, 277. The success of the movement is ascribed to the fact that the revolutionary leaders concentrated their efforts on the new proletarian class in the cities and abandoned or relegated to a secondary place their work among the peasants.

³ M. Tugan-Baranovsky, *Russkaya Fabrika* (The Russian Factory) (St. Petersburg, 1900), p. 342.

being at the rate of 60 per cent. The workmen employed in industrial undertakings in 1887 numbered 1,318,048; in 1893 there were 1,582,904, the increase over the previous figure being approximately 20 per cent. By 1897, however, the number of workmen in industry had mounted to 2,098,262, about 32 per cent. larger than their number in 1893. If we compare the figures for the different branches of industry, we find the largest increases to be in mining and metallurgy, the former almost trebling its production during the period from 1887 to 1897, and the latter increasing its output by about 250 per cent. In mining the sharp rise seen in the earlier period declines somewhat in the second, suggesting that the metallurgical output during these later years was maintained by imports of raw iron and other metals from abroad.⁴ The phenomenal increase in the output of the metallurgical industry manifested itself especially in the production of iron. The following table illustrates the growth in this industry from the year 1882 to 1899⁵ :—

Year.	Thousands of puds.		Year.	Thousands of puds.	
1882	28,237		1891	61,340	
1883	29,407		1892	65,432	
1884	31,106		1893	70,141	
1885	32,206		1894	81,347	
1886	32,484		1895	88,665	
1887	37,389		1896	98,951	
1888	40,716		1897	114,782	
1889	45,160		1898	135,636	
1890	56,560		1899	165,156	

It is perhaps worth noting that the rate of increase for Russia between the years 1886 and 1899 in the production of iron was about 500 per cent., the highest for any country in the world. Despite this rapid rate of increase, her production was about one third of that of Germany (which country occupied third place in the smelting of iron), and about one fifth that of the United States, the world's greatest producer of raw iron. If the smelting of iron be any criterion of a country's progress in industry, Russia could not in any sense be called an industrial country. Nor does it appear that there was any decided change in the rate of progress to be noted after the introduction of the high protective tariff of 1891. While popularly credited with having wrought a radical

⁴ Tugan-Baranovsky, p. 313.

⁵ *Ibid.*

change in Russia's economic life, the tariff appears to have been but one of a number of factors working towards the same end.

Of these factors, the first to be noted is the great activity in railway construction directly due to State initiative. Orders for rails and rolling stock set the wheels of industry moving at an unprecedented rate in the steel and iron mills of Russia. The momentum thus gathered in steel and iron production was communicated to other branches of metallurgy, and in turn to all lines of production.⁶ What an important part was played in the national economy by the placing by the State of vast orders for rails and other requirements for railroad construction, was seen when the great programme of construction in Asia came to an end in 1900. In 1899 the State had been taking two fifths of the total production of raw iron; the following year State orders fell off by 10 per cent. There was at once a sharp drop in the price of iron and corresponding stagnation in the iron trade.⁷ Thus the stimulus given to the Russian metallurgical industries by the great scheme of railway construction by the State in the nineties helped to bring about the extraordinary prosperity of the period; the withdrawal of this stimulus undoubtedly aggravated, though it may not have produced, the depression which set in throughout Russia toward the close of the century.

But we must be careful not to exaggerate the effectiveness of such a stimulus to industry provided by the State. If Witte's policy of stabilising the currency had done nothing more for Russia, it had at least facilitated the flow into the country of foreign capital and had given foreign investors a feeling of greater confidence. Witte claimed that during his regime Russia had secured from abroad by way of foreign investments not less than 3,000,000,000 roubles.⁸ But this movement was only part of the general flow

⁶ Tugan-Baranovsky, pp. 341, 364, discusses this problem without coming to any very definite conclusion. In the former passage he seems to make railway construction one of the chief factors, while in the second general economic conditions are held responsible. See also Bogolepov, *Gosudarstvennoe Khozyaistvo*, "Obshchestvennoe Dvizhenie" (St. Petersburg, 1901), I, 171; also Migulin, *Russky Gosudarstvenny Kredit* (Russian State Credit) (Kharkov, 1904), III, 1162. The latter insists on the exotic character thus acquired by industry in Russia.

⁷ Emil Zweig, *Die Russische Handelspolitik* (Staats-und-Sozialwissenschaft-Forschungen, Heft 123, Leipzig, 1906), p. 135.

⁸ This estimate appears to be excessive. According to P. V. Ol' Inostrannye Kapitaly (Foreign Capital) (Leningrad, 1925), a careful estimate gives the total of foreign capital invested in Russia in 1900 as 911,000,000

[Continued on next page.]

of money from countries where there was a surplus of capital in search of an outlet to countries that needed it and offered large returns on investments. This movement to Russia continued until it was halted, not by the cessation of State orders to the steel industries or any other purely local occurrence, but by altered world conditions. The surplus of capital of Western Europe was then drawn off to support its own industries or to finance the numerous wars that at this time disturbed the general peace.⁹

But by no means without effect was the direct intervention of the State itself. This took the form of loans or subsidies extended to various private enterprises through the channels of the State banks. After Witte's retirement, the loans were the subject of serious charges against him, made by the State Comptroller.¹⁰ Migulin, who is on the whole favourably disposed to Witte, censures him severely for what he considered a misuse of State funds.¹¹ Personal motives may have played their part in determining his

roubles; by 1915 it had risen only to 2,203,500,000 roubles. Of course, when Witte speaks of 3,000,000,000 roubles as representing the amount of foreign capital invested in Russia in pre-war times, he may intend to include State loans, but his language in the passage cited certainly conveys the impression that he is referring only to investments in private enterprises. S. Y. Witte, *Vospominania* (Memoirs), I, 448. This is the Russian edition published at Berlin in 1922 in two volumes. A supplementary volume published in 1923 covers his early life down to the accession of Nicholas II. The English translation of the Memoirs by Yarmolinsky, published at New York in 1921, is a very incomplete version of the Russian original.

⁹ S. Y. Witte, *Rapport du Ministre des Finances sur le Budget de 1901*, p. 10. These were, of course, the Sino-Japanese War of 1894-95, the Spanish-American War of 1898, the war in South Africa, 1899-1902, the Boxer revolt in China. But Witte did not hold the wars alone responsible; he saw that profitable fields of investments had been opened up elsewhere.

¹⁰ See the *Times* (15 November, 1903). The amount of these illegal advances and subsidies to various companies was given as approximately 100,000,000 roubles. This Witte denies, claiming that the total did not exceed fifty to sixty million. Witte further claimed in his own defence that these loans were in most cases granted to court favourites, the inference being that he made them under pressure. *Vospominania*, I, 452. In this connection, Witte's characterisation of a certain class among the Court nobles and the manifest feeling with which it was written, strongly suggest that these favours were not given voluntarily, but only granted under compulsion to people who inspired him with distrust and contempt. *Vospominania*, III, 223. The advance of 2,000,000 roubles made to Bezobrazov in 1902, and never accounted for, is an example.

¹¹ P. B. Migulin, III, 1080-1081. "On the contrary, he (the Minister), making illegal use of the State Bank for the issue of industrial loans, erected our industrial system on a shaky foundation, brought on a crisis in the State Bank by loading its accounts with long-term loans of doubtful value and destroying the confidence of powerful financial interests abroad in the stability of our financial system."

policy. The Minister who controlled the vast financial resources of the State must have been tempted to use this means to buy his way into St. Petersburg society.¹² But our interest in these loans lies in the fact that they formed part of a comprehensive policy for the promotion of industrial enterprises by State direction and by the use of public funds. While followed to some extent in industry in European Russia, this policy found larger scope in the Far East, where the Minister of Finance, through the Chinese Eastern Railway and the Russo-Chinese Bank, initiated far-reaching schemes for exploiting Manchuria and Northern China.

By the introduction of the State spirit monopoly, the production and sale of vodka and other alcoholic products came under almost complete Government control. This measure, while originally proposed by Alexander for social reasons, was, of course, quite in keeping with the paternal system of government which was slowly taking shape under Witte.¹³ It became in time not only the source of the greater part of the State's revenues, but also one of the greatest industries in Russia, whose operation by the officials of the Government gave the latter a great leverage on the economic life of the country.

But while the flow of capital into Russia, attracted by the possibilities of profitable investments in private undertakings there, is not without its significance, its relative importance must not be exaggerated. Investments of foreigners in private enterprises in Russia amounted in 1900 to 1,000,000,000. On the other hand, the State Debt in this same year totalled 6,000,000,000, largely raised abroad. Of this vast sum, not less than 3,000,000,000 roubles was invested in railroads.¹⁴ This takes no account, moreover, of the Trans-Siberian Railway, the construction of which, while not financed directly by foreign loans, was made possible by the support

¹² Wladimir von Korostowetz, *Graf Witte, Der Steuermann in der Not* (Berlin, 1929), pp. 46, 47. It must be borne in mind that Witte had seriously prejudiced his official career by his marriage in 1892 to Matilda Lisanevich Nurok, a Jewess. Witte's first wife had just died, and this new attachment, which he contracted for a married woman on whom the breath of scandal had blown, threatened to end the career of the new Minister of Finance. But Alexander drew a nice distinction between Witte the man and Witte the statesman. He told Witte that he wished to retain his services and ordered the Procurator of the Holy Synod to procure a divorce for Mme. Lisanevich. But the Court refused to recognise her; only after Witte's triumphal return from Portsmouth did she make her appearance at Court and was recognition of his second marriage granted.

¹³ *Vospominania*, III, 345-352.

¹⁴ Migulin, III, 1147.

extended by French banking interests.¹⁵ The cost of this one venture to the State was alone equal to the total foreign investments in private enterprises.¹⁶

We are, therefore, forced to the conclusion that the rapid industrial development of Russia during the nineties is not to be explained by the inauguration of new policies consciously directed toward this end. Since 1861 large-scale industries of Russia had been slowly adapting themselves to the new conditions imposed by the emancipation of the serfs. Their progress prior to the nineties would have been more rapid but for the setbacks caused by grievous mistakes in foreign policy or internal administration.

By the nineties, large-scale industry in Russia had developed sufficiently to profit by the favourable conjuncture of circumstances that arose at this time. These were the introduction of a protective tariff; the establishment of Russian currency on a sound basis; the flow of foreign capital into Russia attracted by possibilities of profitable investments; the stimulus given by the State, directly and indirectly, to industry—directly by bounties, loans and advances from the State banks, and indirectly by the inauguration of various enterprises, financed by foreign capital and requiring, in the case of the railways at least, vast quantities of industrial products.

But the many-sided activity of the Minister of Finance found itself more and more absorbed in that most fundamental of Russian problems—the peasant question. On this question, however, the

¹⁵ The Chinese Eastern Railway was built, not by the State directly, but by the Russo-Chinese Bank. But despite this concession to China, which enabled the Chinese Government to "save its face," the distinction between the Trans-Siberian, which was built by the Russian Government, and the Chinese Eastern Railway, which was built by the Russo-Chinese Bank, was purely a formal one. The two were integral parts of one enterprise. The funds required for their construction were provided directly by the State Treasury. As these expenditures involved deficits which had to be covered by foreign loans, one can say that, at least indirectly, the cost of these roads was met by loans. See B. A. Romanov, *Rossia v Manchzhurii* (Russia in Manchuria) (Leningrad, 1928), p. 44; B. B. Glinsky, *Prolog Russko-Yaponskoy Voiny* (Prologue to the Russo-Japanese War) (Petrograd, 1916), pp. 28-29; Diary of Kuropatkin, *Krasny Arkhiv*, II, 17.

¹⁶ According to *Bulletin Russe* (1904), Livraison i, p. 163, the total cost of the construction of the Trans-Siberian Railway up to the end of 1903 was, roughly, 1,000,000,000 roubles. But if one includes the auxiliary undertakings, this total would be greatly increased. Witte himself, in 1909, estimated it at 2,500,000,000 roubles. This, of course, far exceeds the 1,000,000,000 roubles of foreign capital invested in private enterprises in Russia. We have not mentioned the funds which the Minister of Finance disposed of, by his control of the Russo-Chinese and other banks in the East, whose funds went to develop Manchuria.

whole system for which Witte stood, as well as the specific policies which he pursued, found itself definitely on the defensive in the face of contemporary criticism. Yet it is only fair to state at the outset that it is questionable whether any of those who so bitterly attacked the Minister at the time, or later, for his alleged neglect of the peasant, had any real interest in him or any practical scheme to propose on his behalf. But, unfortunately, Witte came to a knowledge of the peasant question comparatively late, and then his approach was the purely fiscal one. These shortcomings he afterwards admitted quite frankly in a passage which deserves to be quoted:—

When I was appointed Minister of Finance, I was acquainted with the peasant question most superficially, as any so-called educated Russian might be. During the first years, I had some vague leanings towards the "commune," as was natural to one of my Slavophil sympathies.

Little I knew of the real Russia, the Russia of the peasants. I was born in the Caucasus, and later I was employed in the South and the West. But after becoming driver of the complicated machine called the finances of the Russian Empire, I should have been a fool not to understand that, however that machine may be built, if you want it to run for any length of time, and to increase its usefulness, you must provide reserves of fuel, though that did not lie within my immediate sphere. This fuel is the economic life of Russia and, as the chief part of the population consists of peasants, one must look carefully to that. In this I received much help from conversations I had with a former Minister of Finance, N. Bunge, a highly-regarded expert who had participated in the peasant reform of the sixties. He had directed my attention to the fact that the greatest drag on the economic development of the peasant class was the medieval commune, which did not permit improvement. He was strongly opposed to the commune.

But, above all, the truth was borne in on me by the figures which every day came before my eyes and, which formed a subject for my study and analysis. I soon acquired quite an accurate understanding of the true state of affairs, and during the next few years I formed the conviction that in the existing condition of the peasantry the machine on which every year heavier and heavier demands are made would in time no longer be in a position to satisfy the demands made of it, because there would not be any fuel.

So I made up my mind quite definitely what the trouble was and how it could be remedied. A government cannot be strong if its chief bulwark—the peasantry—is weak. We are always proclaiming the fact that the Russian Empire constitutes one fifth of the land surface of the globe and that we have a population of about 140,000,000; but of what use are these when much the greatest part of the surface which

the Russian Empire covers is a complete wilderness or in a half-cultivated state, and much the largest part of the population, from an economic point of view, cannot be counted as units but only as halves or even quarters?¹⁷

Witte's neglect of the peasant problem is all the more difficult to understand when we bear in mind that, in 1892, it was the acute distress among the peasants and the resultant crisis in the State finances that had led to his selection for the post of Minister of Finance. But he seems to have adopted Alexander's view that the cure for Russia's ills lay in the development of her manufactures. It is true that the promotion of emigration to Siberia to relieve the economic pressure in the more congested peasant regions was one of the original purposes that lay behind the building of the Trans-Siberian Railway. But it was soon relegated to a secondary place in the scheme of things. Obstacles were put in the way of colonisation, and it was not till after the end of the Russo-Japanese War that the State really attacked the problem with energy.¹⁸ During the first years of his tenure of office, Witte's mind was absorbed with financial problems and railway construction to the exclusion of other questions. Moreover, these were years of comparative abundance after the acute crisis of 1892, and there were, in any case, no agrarian disturbances. Hence the peasant problem was neglected. Reassured by the appearance of prosperity on every hand, Witte probably convinced himself that, with the growing industrialisation of the country, good times would come also to the Russian villages.

The first note of warning was sounded by the State Comptroller in his report to the Tsar on the public accounts for the year 1896. He pointed out that the peasant population, particularly in the central provinces, was rapidly becoming exhausted owing to the excessive demands made on it by the State.¹⁹ On the margin of the report the Tsar had written, "I agree with this." A grim confirmation of this view of things was afforded by the famines of 1898-99 which affected the region of the Middle Volga. Witte bestirred himself to ascertain the exact causes of this crisis. He

¹⁷ *Vospominania*, I, 446-447.

¹⁸ Though officially approved, this policy was opposed by the land-owning gentry, who feared that emigration to Siberia might make labour scarce in the rural districts of European Russia. The Ministry of the Interior effectively blocked the scheme by putting administrative obstacles in the way—probably by passport restrictions. See *Vospominania*, III, 399.

¹⁹ See Report of the Comptroller for 1896, printed in an appendix to Witte, *Samodershavie i Zemstvo* (Autocracy and Zemstvo) (Second Edition, Stuttgart, 1903), p. 213.

dealt with the questions raised in the report of the Comptroller in a report of his own entitled, "On the exhaustion of the (tax) paying powers of the population," which he addressed to the Tsar in 1898. In this report he admitted that there was some evidence of the progressive impoverishment of the peasants in the central provinces, but stated his belief that this condition was by no means general throughout European Russia. He held that the chief cause of the ills of peasant life was "the juridical and economic disorder in the life of the peasant population." By this he seems to have meant that by the failure to grant the peasant the full status of citizen and to recognise his right to hold private property, individual enterprise and thrift were being discouraged. To correct this unsatisfactory state of affairs, Witte advocated that he be freed from the commune and granted the same civil rights as other members of the community. The same ideas were developed in a personal letter which he addressed directly to the Sovereign, who was at that time staying in the Crimea.²⁰ But largely owing to the opposition of Plehve, nothing further was done to reach a solution of the peasant problem for some years.²¹

It was not till 1902 that the issue became a live one. In this year there were serious agrarian disturbances, which again focussed attention on the peasant. A step forward seemed to have been made when a commission was formed under the chairmanship of Witte to study the problem. But this effort to lighten the burden of the peasant at once called forth the bitterest opposition of the reactionaries among the bureaucrats and the gentry, who saw the coveted privileges of their order menaced. Witte urged the monarch to carry through to completion the work begun in 1861 by his grandfather and grant the peasants full rights as citizens. Anticipating a determined resistance from his opponents, he endeavoured to disarm them by inducing the monarch to assume the chairmanship of this new commission, as he had in the case of the Siberian Commission in 1895. But Nicholas listened to the promptings of the "die-hards" and emasculated Witte's commission by the creation of a rival body under Sipyagin, "to examine the conditions created by the decree of 19 February (3 March), 1861."²²

²⁰ *Vospominania*, I, 467-473.

²¹ V. K. Plehve was an important figure in Russian official circles under Alexander III and Nicholas II. He became Minister of the Interior after the assassination of Sipyagin in 1902. See *Vospominania*, I, 27-31.

²² An account of the atmosphere of intrigue in which these commissions were born is to be found in Korostowetz' *Graf Witte*, pp. 80-86. The "Diary

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In this way the question of the legal and juridical status of the peasant was removed from the competence of Witte's commission, which was left to deal with purely economic matters only, such as the low standard of productivity of peasant agriculture in Russia. On one point, namely, the question of collective responsibility for peasant taxes, the Minister of Finance did obtain a victory. He managed to secure the support of Solsky, President of the Council of State, for a proposal to make the peasants individually responsible for the taxes levied on them. This measure threatened the control exercised over rural life by the so-called "land-captains," the local agents of the central administration.²³ I. L. Goremykin, probably supported by the Tsar, attacked the proposal.²⁴ But Witte took up the position that this was purely an economic measure, vital to his Ministry, and by threatening to resign he carried his point.

On the question of the breaking up of the commune, an insuperable obstacle was encountered in the opposition of Sipyagin, the newly-appointed Minister of the Interior. Though the Tsar endeavoured to reassure Witte by saying that he would have all measures for the amelioration of the peasant's lot submitted to himself by both commissions jointly, it was evident to all that the monarch had laid down a *ne plus ultra* for Witte, and that there would be a further attack on the rights of the peasant population.

To facilitate the work of the commissions, provincial and local committees were formed to prepare evidence for submission to the central bodies. The work was continued for four years, badly hampered, however, by the preoccupation of the Government with questions of foreign policy. After the assassination of Sipyagin in 1902, the latter was succeeded by Plehve, who did everything in his power to take the settlement of the peasant question into his own hands. As a result, Witte adopted a waiting attitude, and the activity of his commission was limited to the discussion of quite of Polovtsev," *Krasny Arkhiv*, III, 116, describes the interview of Witte with the Tsar on 29 January, 1902, in which the former was plainly told that his commission was not to touch the status of the peasant. One is at a loss to explain why Witte had apparently supported the appointment of Sipyagin to the post of Minister of the Interior despite the fact that the latter was opposed to the abolition of the commune. See further *Krasny Arkhiv*, III, 103-104, entry of 19 August, 1901.

²³ In 1889 the civil rights of the peasants were considerably abridged, and they were subjected to the control of the local representatives of the bureaucracy, the so-called "land-captains." The land-captains were usually members of the gentry. For Witte's characterisation of these officials, see *Vospominania*, III, 374.

²⁴ Goremykin was Minister of the Interior from 1895 to 1899.

innocuous matters.²⁵ On Plehve's death, Prince Svyatopolk-Mirsky became Minister of the Interior; and, with his more favourable attitude toward peasant reform, the commission was able to take up the question of the legal status of the peasant without, however, succeeding in bringing its deliberations to fruition.²⁶

It was apparent that it was all but hopeless to carry on these deliberations in such an atmosphere of intrigue and amid the clash of conflicting class interests. To the movement to improve the lot of the peasant, opposition developed both within and without the commission. With Witte's dismissal from the post of Minister of Finance in August, 1903, the work of the commission lost momentum, and it declined in prestige. Finally, by a decree of 30 March, 1905, it was dissolved. Obviously, the peasant could expect nothing from the Government except what was wrung from it by force.

On other more purely political questions Witte had decided views, but his contribution towards the solution of these problems is somewhat more difficult to determine. Politics were not his *métier*, and his want of precision in his views or consistency in his practice scarcely allow us to include him within this or that school of political thought. By his birth he was connected with the gentry, and he had been reared in an atmosphere of devotion to the principles of orthodoxy and autocracy. His loyalty to the absolutist regime was further strengthened by the relations of mutual confidence that grew up between himself and Alexander III. The result was that he never swerved from the conviction that an autocratic government was the one best suited to Russia.²⁷ Yet his experience taught him that the arbitrary exercise of authority by either the autocrat himself or his servants was the surest means of undermining its power and prestige. During the agrarian revolts of 1905-06, Witte protested against the illegal methods adopted for their repression.²⁸

²⁵ *Vospominania*, I, 478.

²⁶ *Ibid.*, 480-481.

²⁷ "Diary of Polovtsev," *Krasny Arkhiv*, III, 139. The writer reports Witte as saying: "I am opposed, on principles inculcated in me in childhood, to all forms of constitutionalism, parliamentarism; in fact, to every grant of political rights to the people."

²⁸ *Krasny Arkhiv*, III, 136: *Vospominania*, II, 137, 138. Witte seems to have talked very plainly to the Tsar on the question of the punitive expeditions, especially on that of the notorious Captain Richter: "You are making a great mistake if you think that the evils that are rampant can be rooted out by police severity. The Government has departed from the path of legality and has given the people an example of lawlessness. Oppressive measures, which could not possibly have been carried through the Council

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But in constitutional matters, Witte showed a lack of consistency as between theory and practice. It was remembered how on one occasion, in his determination to carry through a measure, he had ignored the regular channels of legislation by securing an exercise of the autocratic power.²⁹ When, in 1903, Nicholas took far-eastern affairs out of the hands of his responsible Ministers and turned them over to the favourites, Bezobrazov and Alexeyev, the principle was the same, however Witte might complain about the irregularity of the procedure. The truth was that Witte could not see that a constitutional autocracy based on law was a contradiction in terms. The autocratic power of the Russian Tsar was the modern survival of the absolute monarch of the 16th century, which Bodin described as "absolute power unrestrained by law."³⁰ To have attempted to turn the autocracy into a limited monarchy by defining in advance the way in which this power could be exercised, would have been to stultify it.

Witte pursued his loyalty to the principle of absolutism even in his attitude towards the *zemstva*, the local elective governing bodies, which was one of hostility. Here his course, at first sight, seems difficult to reconcile with his attitude toward the village commune, which he was desirous of freeing from bureaucratic control. He himself justified his hostility on the principle that self-government, even in local affairs, could not be combined with autocracy in the Central Government. This thesis he defended in a memorandum he wrote for the monarch in 1899; he sums up his position in the following words:—

But such an administration is possible only where one or the other of these principles (i.e. the autocratic or the democratic) is applied throughout all its institutions; effective government depends on the uniformity of structure in all parts of the executive and administrative machinery. Departure from this uniformity may be tolerated only in case of necessity, and then only when such changes do not conflict with

of State, have been proclaimed by the Committee of Ministers under the pretext of the existence of an emergency, and have continued in force in some cases for more than twenty years. There does not exist a single court that is above reproach. On every important occasion the sentences record only the rulings of the Minister of Justice. . . . Everywhere it is the arbitrary conduct of the officials to which the population replies with violence." *Vospominania*, II, 138.

²⁹ In connection with the introduction of the gold standard in 1897. Witte had forestalled the almost unanimous opposition of the members of the Council of State by putting the gold standard into effect piecemeal and by administrative measures.

³⁰ Ioan Bodini, *De Re Publica*, Book I, Chapter VIII.: "Diximus potestatem legibus solutum congruere majestati."

the spirit of the whole Government structure. He who is master of the Government must also be master of the whole administration. . . .

This truth we must ever bear in mind . . . it is impossible to create liberal forms unless we fill them with a corresponding content.³¹

It is probable that Witte approached the problem rather from the point of view of an administrator than from that of a statesman who has to take into account political and social forces. The introduction of the State monopoly in alcohol deprived many of the municipalities of much-needed revenue. This sore was continually kept open by the extension of the system to the whole Empire. In the same spirit he secured an edict in 1901, limiting the taxing powers of the *zemstva*, and thus prevented them from competing with the Central Government in this field. He also opposed the scheme whereby the *zemstva* should choose representatives for the provincial committees that were to collect information for Witte's commission on the needs of agriculture, and succeeded in having these nominated by the Governor.³² He obviously conceived government as a vast business organisation under a centralised control. While the interests of the whole population would be consulted on every question and no class would be permitted to enjoy exclusive privileges, this did not mean a slackening of the bonds of discipline. Measures of reform were to be introduced from above, and not as a result of pressure from below. "Constitutionalism is the great lie of our time." This aphorism, which summed up the creed of the Slavophil, he adopted as his own.³³ He thought it possible to build up a great industrial and commercial nation on political principles opposed to those current in the Western world: in which the Sovereign would fulfil

³¹ *Samoderzhavie i Zemstvo*, p. 196. The circumstance that gave rise to the writing of this pamphlet was the proposed introduction of elected *zemstva* into the so-called Western Provinces, i.e. those with a mixed Russian and Polish population. This measure was sponsored by Goremykin. It brought to light at once how great was the confusion in which local self-government and all rural administration were at this time involved. It turned out that schools were being built and maintained by three different authorities—the *zemstva*, the Holy Synod and the Ministry of Public Instruction. It was easy to show that this overlapping was conducive to waste and inefficiency. But Witte's own Ministry was also establishing and maintaining schools of its own (i.e. the higher technical schools), whereby the confusion was increased. Witte certainly had no scruples about invading the province of a fellow-Minister. See A. N. Kuropatkin, *The Russian Army and the Japanese War* (London, 1909), II, 34.

³² Diary of Polovtsev, *Krasny Arkhiv*, III, 92.

³³ *Samoderzhavie i Zemstvo*, p. 211. Witte repeats this epigram without giving its source. It is undoubtedly an echo of Pobedonostsev in his *Moskovsky Sbornik*, Chapter III, of which the title runs: "The Great Lie of our Time."

the functions of an enlightened despot, while a bureaucracy, purged of its corruption and inefficiency, would direct the whole economic life of the people. Witte thus joins hands, as it were, across the intervening years with the Communist Party, with their policy of a planned economy.

The failure of Russia to realise the destiny which Witte had marked out for her was charged by some of Witte's enemies to the failure of the Government, of which he was the leading Minister, to take account of the peasant problem. But this is far too simple an explanation of a phenomenon that is extraordinarily complex. In the first place, it must be borne in mind that Witte's reforms were for the most part administrative measures and designed to meet a concrete situation. Their net result was on the whole favourable to the development of capitalistic industry and the growth of a middle class. At first, Witte thought that Russian life would be gradually assimilated to the economic and social forms of the West, and he looked with satisfaction on the rise of a class of well-to-do peasants with intelligence and initiative.³⁴ In this class he saw the hope of the Russian countryside, and he insisted that they should be freed from the chains of the village commune which, he held, was stifling individual enterprise and thrift.

But in the case of industry and commerce, Witte seems to have been somewhat sceptical of the immediate and spontaneous growth of a progressive middle class, at least among the population of Russian stock.³⁵ And in this respect he was merely following in the footsteps of his predecessors. Russian industry, from the time of Peter, had experienced a forced growth in which monopoly and generous State assistance played a conspicuous part. *Laissez faire* and freedom of trade had been toyed with during the liberal regime of Alexander II, but had failed to strike their roots deep. With the spread of the economic doctrines of List in Europe, the reaction was immediate in Russia in the direction of the promotion of nationalism in the economic life of the State. On this issue there was a complete want of harmony between the theory and practice of Witte. While he was not responsible for the introduction of the protective tariff of 1891, the duties it imposed were further raised during his regime until by 1900 the average was over

³⁴ See Witte's *Report on the Budget for the Year 1896*, pp. 7-8.

³⁵ Witte's patronage of the Jews was well known. See *Vospominania*, I, chap. XVI, where Witte discusses his feud with Plehve over the question of nationalities. Much of the ill-feeling against the various non-Russian nationalities was due to the prosperity which they enjoyed under Witte's regime; see Kuropatkin's *Diary*, *Krasny Arkhiv*, II, 55; also A. N. Kuropatkin, *Zadachi Russkoy Armii* (Tasks of the Russian Army) (St. Petersburg, 1910), II, chap. XXX.

100 per cent.³⁶ Yet Witte saw clearly the abuses to which a protective system inevitably gave rise, and maintained that this protection should be withdrawn, once the national industries had become established.³⁷ In his view, Russian history showed that it was through government intervention that the native industries (at least large-scale industries) had been able to survive; and, as we have seen, he extended generous assistance to them by grants from the State treasury as well as by Government orders. Yet, in spite of this, it was to individual initiative that he looked as the future hope of the economic life of the Russian people.³⁸ It seems hopeless to attempt to reconcile all these inconsistencies of thought and policy. All we can do is to keep in mind that the problems of Witte were essentially administrative; that his measures dealt with concrete and pressing needs. The most important of these needs were—the greatest possible measure of industrial self-sufficiency and financial resources commensurate with the tasks of the State. He bent his energies towards the securing of these ends. The more remote problems of stimulating new social and economic forces within the community did not lie within his province.

It can, therefore, be stated in summary that Witte's activity was concerned primarily with financial and fiscal matters. This was inevitable under the system of individual responsibility of Ministers to the Sovereign. The securing of harmony and of a proper balance of forces within the State, even within the highest administrative bodies, could only be attained by some authority in close touch with all sides of the public life which could minister to the needs of the time and could co-ordinate all the activities of the people. Such an institution would be the monarch, who was in this case quite unequal to the task. But then, even if Russia had been successful in realising her "historic mission," in spite of the antiquated form of her Government and the feudal character of her social structure, these tasks had taxed and were continuing to tax her resources to the limit.³⁹ The attainment of a higher standard of life and efficiency among the common people was now,

³⁶ The Russian tariff provided for an average of 131 per cent. on goods imported from England. See Great Britain, Board of Trade, *Series of Memoranda, Statistical Tables and Charts* (London, 1904), p. 213.

³⁷ *Vestnik Evropy* (1899), IV, 786. Speech delivered by Witte before the Commission for the regulation of the grain trade in March, 1899.

³⁸ *Vospominania*, I, 442-443. He here sets forth the view that the true basis of the economic life of a people is individual initiative.

³⁹ The term "historic mission" was usually applied to the expansion of Russia's power into the Balkans, together with the occupation of Constantinople.

as Witte saw, the great need of the time.⁴⁰ As to what political and economic measures were essential to the securing of these ends, there might be some divergence of opinion. But nothing was to be gained by shutting one's eyes to the needs of the hour or repeating the old shibboleth—autocracy, orthodoxy and nationalism. Persecution of religious and national minorities only further weakened the State by stifling the growth of the very classes and groups which might have brought new blood into the body corporate.⁴¹ But the blind policy of the bureaucracy in attempting to achieve a superficial uniformity and a complete subservience to the autocratic power, roused the dormant nationalism of the minorities and destroyed the political harmony of the State. But of much greater importance was the external policy of the Government. Internal disorder might bring the State to ruin; external complications were bound to do so. It is to the credit of Witte that he appreciated the benefits that had accrued to Russia from the thirteen years of peace which the country enjoyed under Alexander III, and strove to prevent his successor from placing the country's destiny at the hazard of a foreign war. But it was a cruel irony of fate that the first of the wars of the new century in which Russia was to be engaged arose out of far-eastern complications for which Witte, as Minister of Finance, had to bear some share of the responsibility.⁴² Defeat abroad and revolution at home were the prices paid for failure to face and solve the political problems with which Russia was confronted.

The rôle played by Witte in negotiating the Treaty of Portsmouth with Japan in 1905, and still later in forming Russia's first responsible Government, however brilliant, was but an epilogue to his real career, which came to an end with his dismissal from the post of Minister of Finance in the summer of 1903. His genius displayed itself in the field of finance; when he ventured beyond, he seemed unable to gauge accurately the currents of public opinion, both in Russia and abroad. But even when he failed, the breadth of his views and the immense scope of his activity made an indelible impression on his contemporaries and left behind a heritage that will never completely be effaced.

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⁴⁰ Diary of Polovtsev, *Krasny Arkhiv*, III, 103-104, entry under date of 19 August, 1901, in which Witte is credited with this utterance.

⁴¹ For Witte's views on the Jewish question, see *Vospominania*, I, 188-189. Also Korostowetz, *Graf Witte*, pp. 104-105. Witte was espousing an unpopular cause when he defended the Jews and other non-Russian elements who benefited from the industrial prosperity of Russia.

⁴² Yet Witte always specifically distinguished between an economic and a military policy in the Far East, and regarded the aggressive advance of Russia southward from the Trans-Siberian to Port Arthur as a fatal mistake.—ED.

